



Bay Area Metro Center
375 Beale Street
Suite 700
San Francisco, CA 94105

Meeting Agenda

ABAG POWER Board of Directors

Chair, Doug Williams, City of Santa Rosa
Vice Chair, Vacant

Monday, December 11, 2023

11:00 AM

Claremont - 1st Floor (REMOTE)

**ABAG Publicly Owned Energy Resources
Board of Directors
Special Meeting No. 2023-02**

Teleconference Locations:

City of Fremont, Mission San Jose Conference Room, 39550 Liberty St, Fremont, CA 94538
Milpitas City Hall, Committee Conference Room, 455 East Calaveras Blvd, Milpitas, CA 95035
City of Oakland, Fox Conference Room, 250 Frank Ogawa Plaza, 5th Floor, Oakland, CA 94612
Petaluma City Hall, City Manager's Office, 11 English St, Petaluma, CA 94952
County of San Mateo, Conference Room, 555 County Center Drive, Redwood City, CA 94063
Town of Atherton, City Manager's office, 80 Fair Oaks Lane, Atherton, CA 94027
City of Pleasanton, City Manager's Conference Room, 123 Main Street, Pleasanton, CA 94566

Meeting attendees may opt to attend in person for public comment and observation at 375 Beale Street, Claremont Conference Room (1st Floor). In-person attendees must adhere to posted public health protocols while in the building. The meeting webcast will be available at <https://abag.ca.gov/meetings>. Members of the public are encouraged to participate remotely via Zoom at the following link or phone number.

Members of the public participating by Zoom wishing to speak should use the "raise hand" feature or dial *9. When called upon, unmute yourself or dial *6. In order to get the full Zoom experience, please make sure your application is up to date.

Attendee Link: <https://bayareametro.zoom.us/j/89134591436>

One-Tap: US: +13462487799,,89134591436# US (Houston)
+16699006833,,89134591436# US (San Jose)

Join by Telephone (for higher quality, dial a number based on your current location) US: 833
548 0276 US Toll Free
833 548 0282 US Toll Free
877 853 5247 US Toll Free
888 788 0099 US Toll Free

Webinar ID: 891 3459 1436

International numbers available: <https://bayareametro.zoom.us/j/ksl6ty2T0>

Detailed instructions on participating via Zoom are available at:
<https://mtc.ca.gov/meetings-events/how-provide-public-comment-board-meeting>

Members of the public may participate by phone or Zoom or may submit comments by email at info@bayareametro.gov by 5:00 p.m. the day before the scheduled meeting date. Please include the committee or board meeting name and agenda item number in the subject line. Due to the current circumstances there may be limited opportunity to address comments during the meeting. All comments received will be submitted into the record.

Roster

Erin Smith, City of Alameda
Sean Prevette, Alameda Housing Authority
Mark Hurley, City of Albany
George Rodericks, Town of Atherton
Kyle Ochendusko, City of Benicia
Brendan Havenar-Daughton, County of Contra Costa
Victoria Morin, City of Cupertino
Dan Schoenholz, City of Fremont
Jennifer Mennucci, GGBHTD
Carmen Gil, City of Gonzales
Matthew Chidester, City of Half Moon Bay
Mike Robers, City of Hercules
Gabe Engeland, City of Los Altos
Trevor Atashkarian, City of Mill Valley
Sam Bautista, City of Millbrae
Elaine Marshall, City of Milpitas
Steve Leonardis, City of Monte Sereno
Lisa Malek-Zadeh, Town of Moraga
Steve Lederer, County of Napa
Daniel Hamilton, City of Oakland
David Biggs, City of Orinda
Yulia Carter, City of Pacifica
Patrick Carter, City of Petaluma
Becky Hopkins, City of Pleasanton
Samantha Carr, City of Richmond
Brian Frus, City of Salinas
Steven Machida, City of San Carlos
April Miller, City of San Rafael
Gary Behrens, County of San Mateo
Brad Vance, County of Santa Clara
Doug Williams, City of Santa Rosa
Thomas Scott, City of Saratoga
Bob Calderon, City of Union City
Melissa Morton, Vallejo Sanitation and Flood Control District
Oscar Alcantar, City of Vallejo
Gabriel Gordo, City of Watsonville
Jeremy Craig, City of Winters

1. Welcome / Call to Order**Doug Williams, Chairman, City of Santa Rosa.****2. Roll Call / Confirm Quorum****Cindy Chen, Clerk, ABAG/MTC**

Quorum: a quorum of this meeting body shall be 40% of its regular voting members (37).

3. Public Comment

The public is encouraged to provide comment at Committee meetings. This public comment period is intended for items not agendaized.

4. Consent Calendar

- 4a. [23-1143](#) Approval of Minutes from May 25, 2023 Board of Directors Special Meeting.

Action: Approval

Presenter: Ryan Jacoby, Program Manager, ABAG/MTC

Attachments: [4.a. - Approval of Minutes from May 25, 2023 Board of Directors Special Mtg](#)

- 4b. [24-0060](#) Approval of Calendar Year 2024 Meeting Schedule.

Action: Approval

Presenter: Ryan Jacoby, Program Manager, ABAG/MTC

Attachments: [4.b. - Calendar Year 2024 Meeting Schedule](#)

5. Approval

- 5a. [23-1144](#) Acceptance of ABAG POWER's Audited Financial Statements and Reports for Fiscal Year 2022-23.

Staff will present for Board acceptance audited financial statements and reports for Fiscal Year 2022-23.

Action: Approval

Presenter: Grace Martinez, Director, Fin. Reporting & Op. Accounting, ABAG/MTC
Kathy Lai, Lead Engagement Partner, Crowe, LLP

Attachments: [5.a.1. – FY 22-23 Audit Results and Required Communications Presentation](#)
[5.a.2. – FY 22-23 Audited Financial Statements and Reports](#)
[5.a.3. – FY 22-23 Financial Reports and Year End Audit Results](#)
[5.a.4. – FY 22-23 Financial Statements](#)

- 5b. [23-1262](#) Adoption of Resolution 23-05 to Admit Current Members of the School Project for Utility Rate Reduction, a Joint Powers Authority, as New Members of ABAG POWER, Provided They Meet the Requirements Set Forth in the ABAG POWER Joint Powers Agreement and Bylaws.

Staff will provide an overview of the School Project for Utility Rate Reduction's (SPURR), a joint powers authority, Request for Qualifications and Proposals, and present for approval Resolution 23-05 to admit current members of SPURR to join ABAG POWER, provided they meet the requirements set forth in the ABAG POWER Joint Powers Agreement and Bylaws.

Action: Approval

Presenter: Ryan Jacoby, Program Manager, ABAG/MTC

Attachments: [5.b.1. – Overview of SPURR RFQP Presentation](#)
[5.b.2. – Summary Sheet - Resolution 23-05](#)
[5.b.3. – Resolution 23-05](#)

- 5c. [23-1145](#) Election of Chair and Vice Chair and Approval of the Executive Committee for Calendar Year 2024.

Board of Directors to elect the Chair and Vice Chair and approve the ABAG POWER Executive Committee for Calendar Year 2024.

Action: Approval

Presenter: Doug Williams, Chair, City of Santa Rosa

Attachments: [5.c. – Election of Chair & Vice Chair & Approval of Exec. Committee for CY2024](#)

- 5d. [23-1146](#) Adoption of Resolution 23-06, A Modification to the Working Capital Deposit Policy.

Staff will present a recommendation to modify the current working capital deposit policy for the natural gas program to increase working capital deposits from 2.0 months to 3.0 months of estimated expenses, and to collect the additional deposits over a 24-month period beginning July 1, 2024.

Action: Approval

Presenter: Oscar Quintanilla Lopez, Asst. Dir., Budgets & Fin. Planning,
ABAG/MTC
Ryan Jacoby, Program Manager, ABAG/MTC

Attachments: [5.d.1. – Working Capital Deposits Policy Modification](#)
[5.d.2. – Current Working Capital Deposits by Member](#)
[5.d.3. - Resolution 23-06 Modification of Working Capital Deposits Policy](#)
[5.d.4. - Resolution 23-06 Working Capital Deposits Policy](#)

6. Other Business

Committee to provide update on items within member agencies relevant to ABAG POWER and/or the ABAG/MTC energy programs.

7. Adjournment / Next Meeting

The next meeting is the ABAG POWER Executive Committee Meeting scheduled to be held on February 15, 2024.

Public Comment: The public is encouraged to comment on agenda items at Committee meetings by completing a request-to-speak card (available from staff) and passing it to the Committee secretary. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

Meeting Conduct: If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the Committee may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

Record of Meeting: Committee meetings are recorded. Copies of recordings are available at a nominal charge, or recordings may be listened to at MTC offices by appointment. Audiocasts are maintained on MTC's Web site (mtc.ca.gov) for public review for at least one year.

Accessibility and Title VI: MTC provides services/accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Commission matters. For accommodations or translations assistance, please call 415.778.6757 or 415.778.6769 for TDD/TTY. We require three working days' notice to accommodate your request.

可及性和法令第六章: MTC 根據要求向希望來委員會討論有關事宜的殘疾人士及英語有限者提供服務/方便。需要便利設施或翻譯協助者，請致電 415.778.6757 或 415.778.6769 TDD / TTY。我們要求您在三個工作日前告知，以滿足您的要求。

Acceso y el Titulo VI: La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Comisión. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6769 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

Attachments are sent to Committee members, key staff and others as appropriate. Copies will be available at the meeting.

All items on the agenda are subject to action and/or change by the Committee. Actions recommended by staff are subject to change by the Committee.



**Metropolitan Transportation
Commission
Meeting Minutes 3 - Draft**

Bay Area Metro Center
375 Beale Street
Suite 700
San Francisco, CA 94105

ABAG POWER Board of Directors

Thursday, May 25, 2023

11:00 AM

Yerba Buena - 1st Floor

**ABAG Publicly Owned Energy Resources
Board of Directors**

Special Meeting No. 2023-01

Teleconference Locations:

Gonzales City Hall, City Manager's Office, 147 4th Street, Gonzales, CA 93926

Los Altos City Hall, City Manager's Office, 1 N. San Antonio Road, Los Altos, CA 94022

Milpitas City Hall, 455 East Calaveras Blvd, Milpitas, CA 95035

Moraga Administrative Office, 329 Rheem Boulevard, Moraga, CA 94556

Petaluma City Hall, City Manager's Office, 11 English St, Petaluma, CA 94952

Chair, Vacant

Vice Chair, Doug Williams, City of Santa Rosa

Agenda and roster available at <https://abag.ca.gov/our-work/energy-infrastructure/power>.

For information, contact Clerk of the Committee at (415) 820-7973.

Committee Representative Roster:

Erin Smith, City of Alameda

Sean Prevette, Alameda Housing Authority

Mark Hurley, City of Albany

George Rodericks, Town of Atherton

Kyle Ochendusko, City of Benicia

Diana Oyler, County of Contra Costa

Andre Duurvoort, City of Cupertino

Dan Schoenholz, City of Fremont

Jennifer Mennucci, GGBHTD

Trevin Barber, City of Gonzales

Matthew Chidester, City of Half Moon Bay

Mike Robers, City of Hercules

Gabe Engeland, City of Los Altos

Trevor Atashkarian, City of Mill Valley

Sam Bautista, City of Millbrae

Elaine Marshall, City of Milpitas

Steve Leonardis, City of Monte Sereno

Annie To, Town of Moraga

Steve Lederer, County of Napa

Daniel Hamilton, City of Oakland

David Biggs, City of Orinda

Yulia Carter, City of Pacifica
Patrick Carter, City of Petaluma
Becky Hopkins, City of Pleasanton
Samantha Carr, City of Richmond
Adam Spaulding, City of Salinas
Steven Machida, City of San Carlos
April Miller, City of San Rafael
Gary Behrens, County of San Mateo
Brad Vance, County of Santa Clara
Doug Williams, City of Santa Rosa
Thomas Scott, City of Saratoga
Bob Calderon, City of Union City
Melissa Morton, Vallejo Sanitation and Flood Control District
Oscar Alcantar, City of Vallejo
Gabriel Gordo, City of Watsonville
Kathleen Trepas, City of Winters

Staff Roster:

Brad Paul
Matthew Lavrinets
Jennifer Berg
Ryan Jacoby
Fera Chandra
Cindy Chen (Clerk)

1. Welcome and Introductions

Vice Chair Williams called the meeting to order at 11:05 a.m. Quorum was present.

Call to Order.

Doug Williams, ABAG POWER Executive Committee Vice Chair, City of Santa Rosa

Roll Call / Confirm Quorum.

Cindy Chen, Energy Programs Coordinator, ABAG/MTC

Present: 16 - Board Member Pevette, Board Member Rodericks, Board Member Oyler, Board Member Mennucci, Board Member Barber, Board Member Engeland, Board Member Bautista, Board Member Marshall, Board Member To, Board Member Lederer, Board Member Hamilton, Board Member Carter, Board Member Hopkins, (Alternate) Vance, Board Member Williams, and Board Member Gordo

Absent: 21 - Board Member Smith, Board Member Hurley, Board Member Ochendusko, Board Member Duurvoort, Board Member Schoelholz, Board Member Chidester, Board Member Robers, Board Member Atashkarian, Board Member Leonardis, Board Member Biggs, Board Member Carter, Board Member Carr, Board Member Spaulding, Board Member Machida, Board Member Miller, Board Member Behrens, Board Member Scott, Board Member Calderon, Board Member Morton, Board Member Alcantar, and Board Member Trepas

Carmen Gill acted as a delegate and voting member of the Board in place of Trevin Barber, City of Gonzales.

2. Public Comment

Vice Chair Williams invited any member of the public in attendance to provide public comment on items not on the agenda. None was provided.

3. Consent Calendar

[23-0698](#) Approval of Minutes from October 20, 2022 Board of Directors Meeting.

Attachments: [3.a- Approval of Minutes from 10202022 Board of Directors Meeting](#)

Motion was made by Board Member Hopkins and seconded by Board Member Oyler to approve the Consent Calendar, consisting of the Meeting Minutes of October 20, 2022. The Motion passed by the following vote:

- Aye:** 12 - Board Member Prevette, Board Member Rodericks, Board Member Oyler, Board Member Mennucci, Board Member Barber, Board Member Engeland, Board Member To, Board Member Lederer, Board Member Carter, Board Member Hopkins, Board Member Williams, and Board Member Gordo
- Absent:** 21 - Board Member Smith, Board Member Hurley, Board Member Ochendusko, Board Member Duurvoort, Board Member Schoelholz, Board Member Chidester, Board Member Robers, Board Member Atashkarian, Board Member Leonardis, Board Member Biggs, Board Member Carter, Board Member Carr, Board Member Spaulding, Board Member Machida, Board Member Miller, Board Member Behrens, Board Member Scott, Board Member Calderon, Board Member Morton, Board Member Alcantar, and Board Member Trepia
- Abstain:** 4 - Board Member Bautista, Board Member Marshall, Board Member Hamilton, and (Alternate) Vance

4. Election of Chair and Vice Chair and Ratification of the Executive Committee for Calendar Year 2023

[23-0699](#) Board of Directors to elect the Chair and Vice Chair and ratify the ABAG POWER Executive Committee for Calendar Year 2023.

Attachments: [4.a- ABAG POWER Calendar Year 2023 Executive Committee](#)

Motion was made by Board Member Hamilton and seconded by Board Member Hopkins to approve the calendar year 2023 Executive Committee, including the election of Chair and Vice Chair. The motion passed by the following vote:

- Aye:** 16 - Board Member Prevette, Board Member Rodericks, Board Member Oyler, Board Member Mennucci, Board Member Barber, Board Member Engeland, Board Member Bautista, Board Member Marshall, Board Member To, Board Member Lederer, Board Member Hamilton, Board Member Carter, Board Member Hopkins, (Alternate) Vance, Board Member Williams, and Board Member Gordo
- Absent:** 21 - Board Member Smith, Board Member Hurley, Board Member Ochendusko, Board Member Duurvoort, Board Member Schoelholz, Board Member Chidester, Board Member Robers, Board Member Atashkarian, Board Member Leonardis, Board Member Biggs, Board Member Carter, Board Member Carr, Board Member Spaulding, Board Member Machida, Board Member Miller, Board Member Behrens, Board Member Scott, Board Member Calderon, Board Member Morton, Board Member Alcantar, and Board Member Trepia

5. Establishment of Renewable Natural Gas Program

Kelly Schoonmaker provided an overview of Senate Bill 1383's jurisdictional procurement requirements. Ryan Jacoby provided an overview of renewable natural gas, potential benefits of a renewable natural gas program, and a potential structure for member agreements. Shayne Petkiewicz provided an overview of Anaergia's public-private partnership to convert organics into renewable natural gas at the Victor Valley Wastewater Reclamation Authority.

[23-0700](#)

Adoption of Resolution No. 23-04, which 1) amends Sections 7A.1 Programs and 7.A.3 Program Committees of the Bylaws to create a Renewable Natural Gas Program and to have the Executive Committee serve as the Program Committee to the Renewable Natural Gas Program; 2) authorizes the Executive Director (or designee) of the Metropolitan Transportation Commission a) to negotiate and execute agreements with current ABAG POWER members to allow them to participate in the Renewable Natural Gas Program, and suppliers to provide renewable natural gas as part of the Renewable Natural Gas Program and b) to take actions incidental or necessary to establish and implement the Renewable Natural Gas Program, and 3) finds that the actions taken are exempt from environmental review pursuant to California Environmental Quality Act Guideline 15308, Actions by Regulatory Agencies for Protection of the Environment.

Attachments: [5.a- SB 1383 Regulations Procurement Overview](#)

[5.b- Proposed Renewable Natural Gas Program](#)

[5.c- Anaergia Overview](#)

[5.d.- Summary Sheet – Establishment of Renewable Natural Gas Program](#)

[5.e.- Resolution 23-04 Establishment of Renewable Natural Gas Program](#)

[5.f.- PublicComment DaleRoberts](#)

Motion was made by Board Member Lederer and seconded by Board Member Bautista to adopt Resolution No. 23-04, which 1) amends Sections 7A.1 Programs and 7.A.3 Program Committees of the Bylaws to create a Renewable Natural Gas Program and to have the Executive Committee serve as the Program Committee to the Renewable Natural Gas Program; 2) authorizes the Executive Director (or designee) of the Metropolitan Transportation Commission a) to negotiate and execute agreements with current ABAG POWER members to allow them to participate in the Renewable Natural Gas Program, and suppliers to provide renewable natural gas as part of the Renewable Natural Gas Program and b) to take actions incidental or necessary to establish and implement the Renewable Natural Gas Program, and 3) finds that the actions taken are exempt from environmental review pursuant to California Environmental Quality Act Guideline 15308, Actions by Regulatory Agencies for Protection of the Environment. The motion passed by the following vote:

Aye: 15 - Board Member Prevette, Board Member Rodericks, Board Member Oyler, Board Member Mennucci, Board Member Barber, Board Member Engeland, Board Member Bautista, Board Member Marshall, Board Member Lederer, Board Member Hamilton, Board Member Carter, Board Member Hopkins, (Alternate) Vance, Board Member Williams, and Board Member Gordo

Absent: 21 - Board Member Smith, Board Member Hurley, Board Member Ochendusko, Board Member Duurvoort, Board Member Schoelholz, Board Member Chidester, Board Member Robers, Board Member Atashkarian, Board Member Leonardis, Board Member Biggs, Board Member Carter, Board Member Carr, Board Member Spaulding, Board Member Machida, Board Member Miller, Board Member Behrens, Board Member Scott, Board Member Calderon, Board Member Morton, Board Member Alcantar, and Board Member Trepia

Abstain: 1 - Board Member To

6. Adjournment / Next Meeting

The next meeting of the ABAG POWER Executive Committee is on June 16, 2023.

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Board of Directors

December 11, 2023

Agenda Item 4.b.

Calendar Year 2024 Meeting Schedule

Subject:

Approval of Calendar Year 2024 Meeting Schedule

Background:

Every December, the ABAG POWER Executive Committee approves the meeting schedule for the following calendar year.

Issues:

None.

Recommended Action:

The Executive Committee for ABAG POWER is requested to approve as proposed the Calendar Year 2024 Meeting Schedule.

Attachments:

- Calendar Year 2024 Meeting Schedule

Reviewed:

DocuSigned by:
Brad Paul
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Brad Paul



ABAG POWER
Calendar Year 2024 Meeting Schedule

Proposed: December 11, 2023

For information, contact Cindy Chen, the Clerk of the Board at (415) 820-7973.

ABAG Meetings Webpage

<https://abag.ca.gov/meetings>

Live Webcast

<https://abag.ca.gov/meetings-events/live-webcasts>

ABAG POWER Roster

<https://abag.ca.gov/our-work/energy-infrastructure/abag-power/power-board-directors>

Meeting Location

Bay Area Metro Center, 375 Beale Street, San Francisco, California; or as announced.

Executive Committee

Meets the third Thursday of even-numbered months, or as needed.

Day	Date	Start	End
Thursday	February 15	11:00 a.m.	1:00 p.m.
Thursday	April 18	11:00 a.m.	1:00 p.m.
Thursday	June 20	11:00 a.m.	1:00 p.m.
Thursday	August 15	11:00 a.m.	1:00 p.m.
(Second) Thursday	December 12	11:00 a.m.	1:00 p.m.

Board of Directors


Meets on the third Thursday annually in October, or as needed.

Day	Date	Start	End
(Fourth) Thursday	October 24	11:00 a.m.	1:00 p.m.




1


Client Service Team




Rich Perilloux
IT Audit Partner




John Weber
Concurring Review Partner




Kathy Lai
Lead Engagement Partner




Brad Schelle
Audit Partner




Scott Nickerson
Audit Partner




Michelle Buss
Senior Manager




Cassandra Taylor
IT Audit Senior Manager



Joseph Widjaja
Senior Manager



Erika Alvarez
Senior Manager



Cory Lee
Manager

Tony Boras
GASB Technical Reviewer

Bert Nuehring
Consulting Partner

Chris Moore
Derivatives Partner

Brian Archambeault
Uniform Guidance Technical Reviewer

Erik Nylund
Consulting Managing Director

Matt Geerdes
Accounting Advisory

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2

Agenda

- 1**
Audit Objectives
- 2**
Audit Results
- 3**
Required Communications

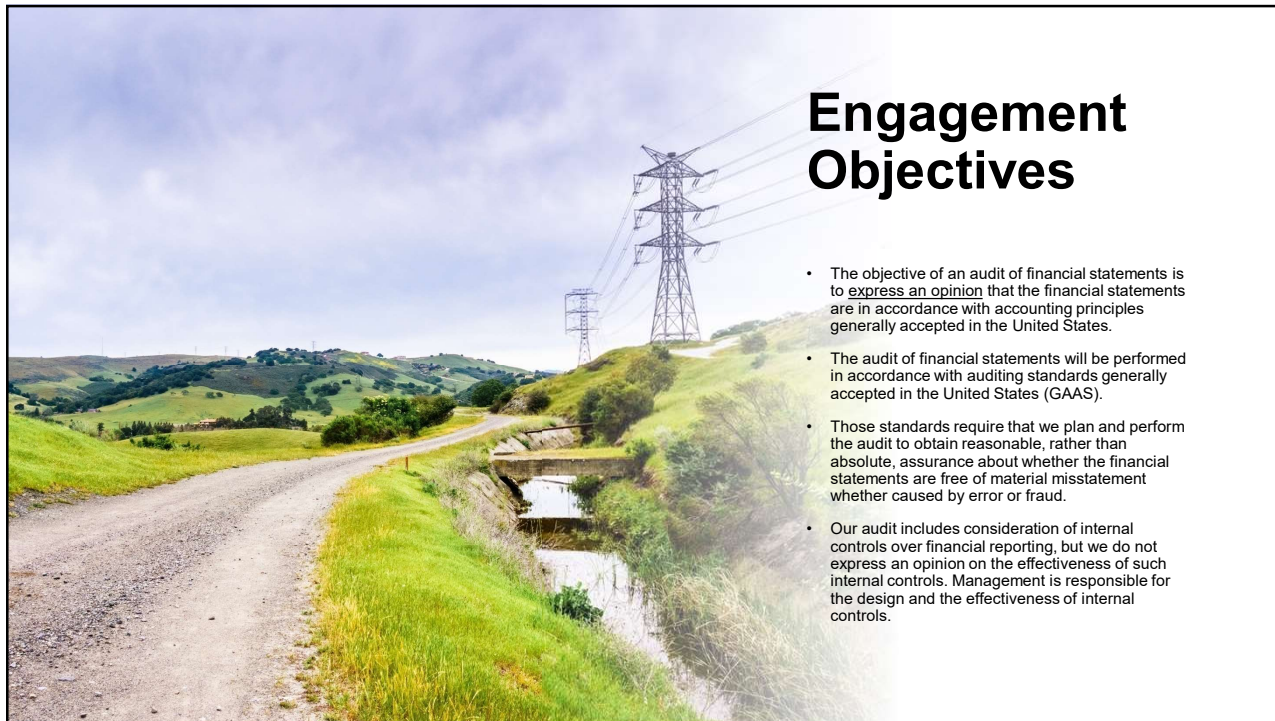
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3

Audit Objectives

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4



Engagement Objectives

- The objective of an audit of financial statements is to express an opinion that the financial statements are in accordance with accounting principles generally accepted in the United States.
- The audit of financial statements will be performed in accordance with auditing standards generally accepted in the United States (GAAS).
- Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud.
- Our audit includes consideration of internal controls over financial reporting, but we do not express an opinion on the effectiveness of such internal controls. Management is responsible for the design and the effectiveness of internal controls.

5



Audit Results

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6

6

Financial Statement Audit Report



- Independent Auditor's Report on the financial statements as of and for the year ending June 30, 2023.

Entity	Opinion
ABAG POWER	Unmodified

- We did not identify any significant deficiencies or material weaknesses during our audit.

7

Required Communications

8

Required Communications - 1

- Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Management has disclosed the summary of significant accounting policies in footnote 1 of each report.
- Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments.

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9

Required Communications - 2

- Adoption of New Accounting Standards:
 - Conduit Debt (**GASB 91**)
 - Public-private and Public-public Partnership Arrangements and Availability Payment Arrangements (**GASB 94**)
 - Subscription-based Information Technology Arrangements (**GASB 96**)
 - Omnibus 2022 (**GASB 99, paragraphs 26-32**)
 - Implementation Guide 2020-1 (**Update 2020, Certain Questions**)
 - Implementation Guide 2021-1 (**Update 2021, Question 4.22**)

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10

Required Communications - 3

- Corrected Misstatements: We did not note any material corrected misstatements that were brought to the attention of management as a result of our audit procedures.
- Uncorrected Misstatements: We did not note any uncorrected misstatements that were brought to the attention of management as a result of our audit procedures.

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11

Required Communications - 4

We did not note:

- Significant Accounting Policies in Controversial or Emerging Areas
- Significant Unusual Transactions
- Significant Difficulties Encountered during the Audit
- Disagreements with Management
- Consultations with Other Accountants
- Significant Related Party Findings and Issues
- Independence matters

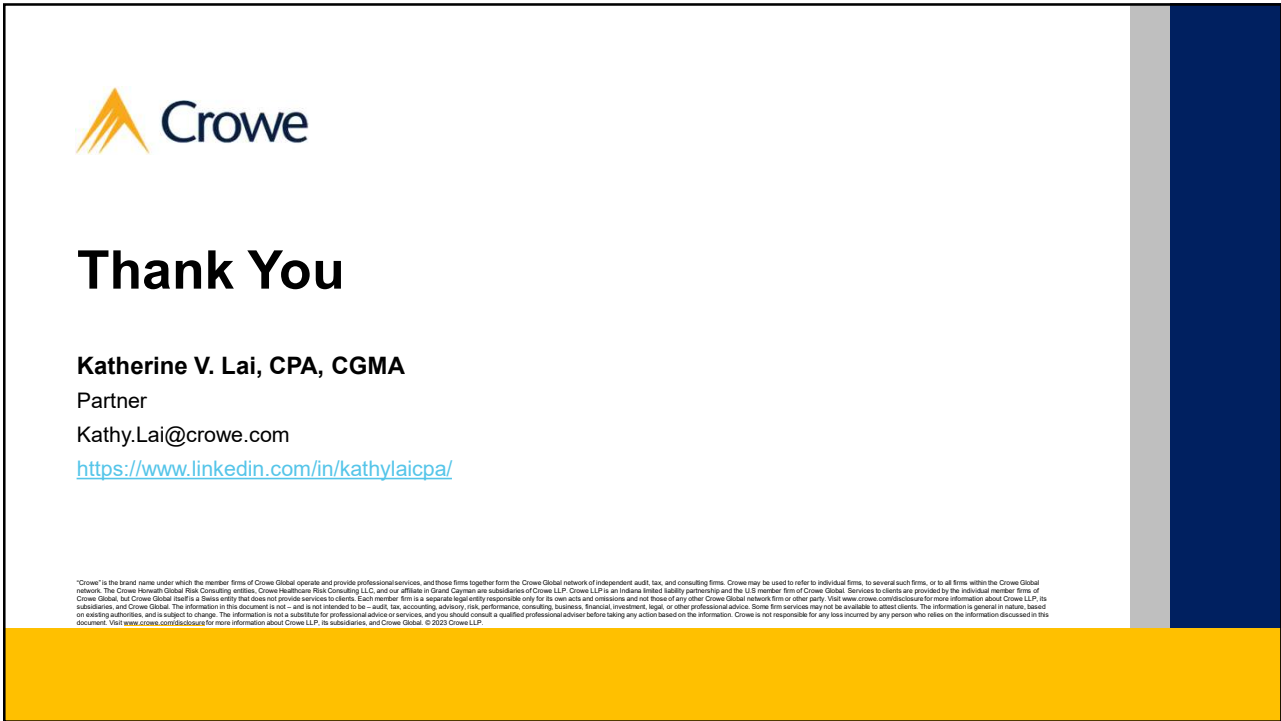
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12



13



14

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Board of Directors

December 11, 2023

Agenda Item 5.a.2.

ABAG POWER Audited Financial Statements and Reports for Fiscal Year 2022-23

Subject:

Fiscal Year (FY) 2022-23 ABAG Publicly Owned Energy Resources (ABAG POWER) Audited Financial Statements and Reports

Background:

Pursuant to ABAG POWER's Bylaws and State law, an independent audit firm performs an annual financial audit and issues an opinion on POWER's financial position as of June 30 of each year. The Financial Statements are for the period ended June 30, 2023. POWER received an unmodified opinion, which means there are no significant deficiency or material weakness in financial controls.

The ABAG POWER Financial Statements (separately enclosed) are comprised of several sections:

1. Independent Auditor's Report – page 1

This section has the independent auditors' report which includes the auditors' opinion on the presentation of the accompanying financial statements from Crowe LLP.

2. Management's Discussion and Analysis – page 3

This section includes Management's Discussion and Analysis (MD&A), which is managements' perspective of POWER's financial position, identification of any major issues and projections for the future.

3. Basic Financial Statements – page 8

This section includes actual financial statements and note disclosures.

Issues:

None.

Recommended Action:

The ABAG POWER Board of Directors will receive a presentation from Grace Martinez, Section Director, Financial Reporting and Operational Accounting, on the ABAG POWER Audited Financial Statements for FY 2022-23 and accept as presented the financial statements and

Agenda Item 5.a.2. – ABAG POWER Audited Financial Statements and Reports for FY 22-23

December 11, 2023

Page 2 of 2

accompanying reports.

Attachments:

- ABAG POWER FY 2022-23 Financial Statements and Reports
- ABAG POWER FY 2022-23 Financial Reports and Year-end Audit Results

Reviewed:

DocuSigned by:

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Brad Paul



Association of
Bay Area Governments



**FY 2022-23 ABAG POWER FINANCIAL REPORTS
AND YEAR END AUDIT RESULTS**

1

ABAG PUBLICLY OWNED ENERGY RESOURCES (POWER)

Highlights of the FY 2023 ABAG POWER financial statements:

- In May 2023, the Board established the Renewable Natural Gas Program. Related revenue and expenses are anticipated to begin in fiscal year 2023-24.
- Total gas usage during fiscal year 2023 was approximately 7.0 million therm, increased by 0.3 million therm in comparison to FY2021-22.
- In December 2022, the Executive Committee provided authority until June 30, 2023, to enter into fixed priced purchase contracts valued at less than \$1 million and for a term not to exceed four months. In February 2023, staff entered into a four-month fixed-price contract.
- POWER serves a total of 749 core accounts and three non-core accounts as of June 30, 2023.

1

2

ABAG Publicly Owned Energy Resources	
Statement of Net Position	
June 30, 2023	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 388,331
Accounts receivable	2,396,515
Interest receivable	31
Prepaid items	3,968
Natural gas inventory	83,355
TOTAL ASSETS	2,872,200
LIABILITIES	
Current liabilities:	
Accounts payable	666,327
Due to other government	217,414
Total current liabilities	883,741
Non-current liabilities:	
Deposits from members	1,988,459
Total non-current liabilities	1,988,459
TOTAL LIABILITIES	2,872,200
NET POSITION	\$ -

See accompanying notes to financial statements:
8

- Cash and cash equivalents decreased by \$1 million from FY 2021-22 (page 4). This is primarily the result of a significant increase in natural gas market prices and more quantity of natural gas purchased due to prolonged inclement weather.
- Receivables increased to \$2.4 million. It's primarily due to the true-up adjustment billings of \$2.1 million at year-end.
- POWER's financial reporting model reflects all surpluses and deficits as liabilities to or receivables from its members, therefore the net position remained at zero on June 30, 2023.

2

3

ABAG Publicly Owned Energy Resources	
Statement of Revenue, Expenses and Changes in Net Position	
For the Year Ended June 30, 2023	
OPERATING REVENUE	
Sale of natural gas	\$ 14,925,264
Other operating revenues	8,994
TOTAL OPERATING REVENUE	14,934,258
OPERATING EXPENSES	
Cost of natural gas	7,915,682
PG&E passthrough	6,388,458
Contracted salaries and benefits	268,325
Professional fees	213,091
Overhead	130,540
Other	25,249
TOTAL OPERATING EXPENSES	14,941,345
OPERATING LOSS	(7,087)
NONOPERATING REVENUE	
Interest income	7,087
TOTAL NONOPERATING REVENUE	7,087
CHANGE IN NET POSITION	-
TOTAL NET POSITION - BEGINNING	-
TOTAL NET POSITION - ENDING	\$ -

See accompanying notes to financial statements:
9

- In comparison to the prior year, operating revenues increased by \$4.4 million, as a result of an increase in the sale of natural gas to members due to higher gas prices.
- Operating expenses increased by \$4.4 million, mainly due to increased market prices for natural gas and higher PG&E transmission and distribution rates considered pass-through costs.
- POWER paid MTC \$398,865 for administrative support services in accordance with the ABAG-MTC Contract for Services for the fiscal year ended June 30, 2023.
- In FY 2022-23, prior to year-end adjustments, there was an excess of expenses over revenues in the amount of \$2,067,984, which will be billed to the members as true-up adjustments during the next fiscal year.

3

4

ABAG POWER
Publicly Owned Energy Resources

Financial Statements
For the Year Ended June 30, 2023

ABAG Publicly Owned Energy Resources
Table of Contents
For the Year Ended June 30, 2023

	<i>Page</i>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 7
Basic Financial Statements	
Statement of Net Position	8
Statement of Revenue, Expenses and Changes in Net Position	9
Statement of Cash Flow	10
Notes to the Financial Statements	
Summary of Significant Accounting Policies	11 - 15
Net Position	15
Cash and cash equivalents	15 - 16
Purchase Commitments	16
Risk Management	16

INDEPENDENT AUDITOR'S REPORT

Members of the Executive Committee of
ABAG Publicly Owned Energy Resources
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the ABAG Publicly Owned Energy Resources ("POWER"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the POWER basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the POWER, as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the POWER, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the POWER's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the POWER's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the POWER's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Crowe LLP

San Francisco, California
October 18, 2023

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2023
Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis

ABAG Publicly Owned Energy Resources (POWER) has prepared its financial report for the fiscal year ending June 30, 2023. This Management's Discussion and Analysis (MD&A) provides an overview of POWER's financial activities during the fiscal year and should be read in conjunction with the financial statements and the notes which follow.

A. Financial Highlights

1. In May 2023, POWER's Board of Directors established the Renewable Natural Gas Program to achieve reductions in greenhouse gas emissions, realize cost savings enabled by aggregated purchasing, address the recycling of organic waste, and assist participants with the promotion and use of low carbon fuels. The program is anticipated to begin recording revenue and expenses in fiscal year 2023-24.
2. Total gas usage during fiscal year 2023 was approximately 7.0 million therms.
3. POWER's general strategy for purchasing natural gas consists exclusively of short-term, index-based purchases at three market locations. However, in December 2022, the Executive Committee provided staff authority until June 30, 2023, to enter fixed-priced purchase contracts valued at less than \$1 million and for a term not to exceed four months. In February 2023, staff entered into a four-month fixed-price contract.
4. POWER serves a total of 749 core accounts and three non-core accounts as of June 30, 2023.

B. Overview of the POWER Financial Statements

POWER's financial statements include *Statement of Net Position*, *Statement of Revenues, Expenses and Changes in Net Position*, and *Statement of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The *Statement of Net Position* report assets, liabilities and the difference as net position. The *Statement of Revenues, Expenses, and Changes in Net Position* consists of operating revenues and expenses and non-operating revenues and expenses. The *Statement of Cash Flows* is presented using the direct method.

The *Statement of Net Position*, *Statement of Revenues, Expenses and Changes in Net Position*, and *Statement of Cash Flows* are presented on pages 8 – 10 of this report.

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2023
Management's Discussion and Analysis (unaudited)

C. Financial Analysis

Statement of Net Position

The following table is a summary of POWER's statement of net position as of June 30 for the last two fiscal years:

	2023	2022
Assets		
Cash and cash equivalents	\$ 388,331	\$ 1,383,704
Receivables	2,396,546	1,063,636
Prepaid items	3,968	24,368
Natural gas inventory	83,355	137,603
Total assets	<u>2,872,200</u>	<u>2,609,311</u>
Liabilities		
Current liabilities	883,741	620,852
Noncurrent liabilities	1,988,459	1,988,459
Total liabilities	<u>2,872,200</u>	<u>2,609,311</u>
Net position	<u>\$ -</u>	<u>\$ -</u>

Total assets increased by \$262,889 due to higher sales of natural gas receivable. However, the total cash and cash equivalents decreased by \$995,373 during fiscal year 2023. The decrease in cash and cash equivalents is mainly due to significant increase in natural gas market prices and prolonged inclement weather, causing POWER to purchase an increased quantity of natural gas at higher market prices. Also, a significant increase in accounts receivable is primarily from the true-up adjustment billings, which corresponds to the increase in actual expenses in FY 2023. Refer to the "*Statement of Revenues, Expenses, and Changes in Net Position*" for more details.

Compared to fiscal year 2022, total liabilities increased by \$262,889 mainly due to the timing of vendor invoice payments and higher overall prices, as noted above.

POWER's financial reporting model reflects all surpluses and deficits as liabilities to or receivables from its members. Therefore, the net position remains zero at year end.

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2023
Management's Discussion and Analysis (unaudited)

Statement of Revenues, Expenses, and Changes in Net Position

The following table is a summary of POWER's statement of revenues, expenses, and changes in net position for the last two fiscal years ended June 30:

	2023	2022
Operating revenue		
Sale of natural gas & other revenue	\$ 14,934,258	\$ 10,493,118
Total operating revenue	<u>14,934,258</u>	<u>10,493,118</u>
Operating expenses		
Cost of natural gas & PG&E passthrough	14,304,140	9,810,631
Contracted salaries and benefits	268,325	265,496
Professional fees	213,091	268,754
Other expenses	155,789	150,381
Total operating expenses	<u>14,941,345</u>	<u>10,495,262</u>
Operating income (loss)	<u>(7,087)</u>	<u>(2,144)</u>
Nonoperating revenue		
Interest income	7,087	2,144
Total nonoperating revenue	<u>7,087</u>	<u>2,144</u>
Change in net position	<u>-</u>	<u>-</u>
Net position - beginning	<u>-</u>	<u>-</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>

Before the year-end adjustment, ABAG POWER showed a net deficit of \$2,067,984 at the end of fiscal year 2023. The year-end adjustment distributes the year-end surpluses or deficits among gas program members, in accordance with the true-up process outlined in members' agreements, therefore, the net position has zero balance at fiscal year-end 2023.

Total operating revenues increased by \$4,441,140 in fiscal year 2023 because of an increase from the sale of natural gas due to higher gas prices compared to fiscal year 2022.

Total operating expenses increased by \$4,446,083 in fiscal year 2023 compared to fiscal year 2022. The primary contributors to the overall increase in operating expenses were comparatively high market prices for natural gas and substantial increases in Pacific Gas and Electric Company (PG&E) transmission and distribution rates, which are considered pass-through costs.

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2023
Management's Discussion and Analysis (unaudited)

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 11, provide additional information essential to a full understanding of the data provided in this MD&A and the financial statements that follow.

E. Economic Factors and Program Outlook for Fiscal Year 2024

POWER generally expects gas prices for futures contracts to remain in the \$4.00 - \$8.00/Dth range for the next couple of years. The expectations reflect a market environment where domestic gas supply exceeds demand, but production is relatively stagnant, and competing end-uses contribute to upward price pressure that lifts commodity prices higher than historical norms. A multitude of factors have exacerbated supply deficit, causing extreme volatility in the overall natural gas markets throughout fiscal year 2022- 2023. These factors are expected to continue during fiscal year 2023 -2024, specifically:

- Worldwide production limits imposed by the Organization of Petroleum Exporting Countries (OPEC) in an attempt to balance chaotic supply and demand patterns.
- Record-level national liquefied natural gas (LNG) exports, low national storage inventories and significant storage restrictions within California, and strong weather-driven demand have all contributed to elevated domestic pricing.
- Geopolitical tensions caused by the war in Ukraine have intensified and resulted in subsequent commitments by the U.S. to increase exports of LNG to certain Asian and European countries to supplant Russian gas supply.

In addition, an increased focus on recent environmental issues has initiated regulatory actions that emphasize the use of renewable electricity over natural gas, potentially lowering the demand for gas appliances, and thus moderating gas costs. Conversely, regulatory actions also have the potential to increase costs for using petroleum products, including natural gas. These market forces and policy decisions have begun to chart the State on a long-term transition away from natural gas as electricity generation and space and water heating fuel, but there remain many complex challenges to implement the necessary utility infrastructure and customer rate changes. While these challenges are considered, infrastructure costs continue to rise as utilities implement resilience measures in an attempt to mitigate damage from devastating wildfires and other natural disasters. These costs are ultimately passed through to participants in POWER, and ratepayers in general.

The nature of POWER operations does not lend itself to economic swings. POWER is a self-funding enterprise where all participants pay for only what they use. Annual purchases are based on estimated use that is billed to participants on annualized monthly basis. Any residual over/under billing is reconciled and carried as a payable or receivable at year end. This structure insulates POWER's members from most short-term (intra-year) volatility.

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2023
Management's Discussion and Analysis (unaudited)

Request for Information

This financial report is intended to provide citizens, taxpayers, and creditors with a general overview of POWER's finances. Questions about this report should be addressed to the Chief Financial Officer, ABAG Publicly Owned Energy Resources, 375 Beale Street, Suite 800, San Francisco, CA 94105.

ABAG Publicly Owned Energy Resources
Statement of Net Position
June 30, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$ 388,331
Accounts receivable	2,396,515
Interest receivable	31
Prepaid items	3,968
Natural gas inventory	<u>83,355</u>
TOTAL ASSETS	<u>2,872,200</u>

LIABILITIES

Current liabilities:

Accounts payable	666,327
Due to other government	<u>217,414</u>
Total current liabilities	<u>883,741</u>

Non-current liabilities:

Deposits from members	<u>1,988,459</u>
Total non-current liabilities	<u>1,988,459</u>
TOTAL LIABILITIES	<u>2,872,200</u>

NET POSITION	<u><u>\$ -</u></u>
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See accompanying notes to financial statements

ABAG Publicly Owned Energy Resources
Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

OPERATING REVENUE

Sale of natural gas	\$ 14,925,264
Other operating revenues	<u>8,994</u>
TOTAL OPERATING REVENUE	<u>14,934,258</u>

OPERATING EXPENSES

Cost of natural gas	7,915,682
PG&E passthrough	6,388,458
Contracted salaries and benefits	268,325
Professional fees	213,091
Overhead	130,540
Other	<u>25,249</u>
TOTAL OPERATING EXPENSES	<u>14,941,345</u>

OPERATING LOSS (7,087)

NONOPERATING REVENUE

Interest income	<u>7,087</u>
TOTAL NONOPERATING REVENUE	<u>7,087</u>

CHANGE IN NET POSITION -

TOTAL NET POSITION - BEGINNING -

TOTAL NET POSITION - ENDING \$ -

See accompanying notes to financial statements

ABAG Publicly Owned Energy Resources
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities

Cash receipts from customers and others	\$ 13,601,353
Cash payments to suppliers and contractors for goods and services	<u>(14,603,808)</u>
Net cash used for operating activities	<u><u>(1,002,455)</u></u>

Cash flows from investing activities

Interest received	<u>7,082</u>
Net cash provided by investing activities	<u><u>7,082</u></u>

Net decrease in cash	(995,373)
Balances- beginning of year	<u>1,383,704</u>
Balances - end of year	<u><u>\$ 388,331</u></u>

Reconciliation of operating loss to net cash used for operating activities

Operating loss	\$ (7,087)
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Adjustments to reconcile operating net cash provided by operating activities:

Net effect of changes in:

Accounts receivable	(1,332,905)
Natural gas inventory	54,248
Prepaid items	20,400
Accounts payable	80,533
Due to other government	<u>182,356</u>

Net cash used for operating activities	<u><u>\$ (1,002,455)</u></u>
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See accompanying notes to financial statements

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2023
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Operations

ABAG Publicly Owned Energy Resources (POWER) was created pursuant to Chapter 5, Division 7, and Title 1 of the Government Code Section 6500 of the State of California in 1997, to acquire energy services for use by its Members.

POWER is a joint powers agency of ABAG and local government entities in Northern California. POWER is governed by a Board of Directors composed of representatives from member jurisdictions. The Board appoints an Executive Committee to carry out policy decisions.

POWER is an "Energy Service Provider (ESP)," and currently offers two voluntary programs for public agencies:

- A natural gas program which aggregates the natural gas requirements of its members as allowed by the California Public Utilities Commission. POWER then purchases gas directly from natural gas producers that offer competitive prices and reliable supply. POWER arranges for delivery of the purchased gas to the PG&E system for distribution. The goal of POWER's Natural Gas Program is to provide both cost savings and price stability.
- A renewable natural gas (RNG) program which conducts purchasing of RNG and related fuels to achieve reductions in greenhouse gas emissions, address the recycling of organic waste, and assist participants with the promotion and use of low carbon fuels.

The Association of Bay Area Governments (ABAG) was created in 1961 and serves as the Council of Government for the 101 member cities/towns and nine counties that make up the region with powers and responsibilities granted to it under the laws of the State of California.

The members of POWER must be voting members or cooperating members of ABAG at the time they join POWER. However, not all ABAG members are members of POWER and for that reason, POWER is not a component unit of ABAG. POWER is a public entity and is legally separate from ABAG. ABAG is not responsible for any liabilities or obligations of POWER.

POWER's Operations

The area served by POWER is encompassed by Pacific Gas & Electric Company (PG&E) service territory. POWER has contracted with a number of vendors for natural gas purchases. As required by the natural gas suppliers, the amount of gas POWER purchases each month must be nominated to PG&E's transmission and/or distribution system in advance, and POWER is obligated to purchase the amount nominated, regardless of actual usage. The difference between the amount of gas nominated and the amount actually used results in an "imbalance," which may be cured by making purchases or sales on the open market or by allocation to a future month's use.

In July 2017 ABAG staff were consolidated into the Metropolitan Transportation Commission (MTC) and the POWER Board subsequently took action to appoint MTC staff to the relevant POWER officer positions in accordance with the bylaws. MTC staff will continue to provide administrative support to POWER in accordance with the ABAG-MTC Contract for Services. POWER paid MTC \$398,865 for these services in the fiscal year ended June 30, 2023. On the *Statement of Revenues, Expenses, and Changes in Net Position*, this amount is reflected as contracted salaries and benefits and overhead costs.

ABAG Publicly Owned Energy Resources

Financial Statements for the year ended June 30, 2023

Notes to Financial Statements

B. Basis of Presentation

POWER's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

C. Measurement Focus, Basis of Accounting and Financial Statements Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

POWER's financial statements are prepared using the *economic resources measurement* focus and the *accrual basis of accounting*. POWER accounts for all transactions in a single enterprise fund, which is a separate set of self-balancing accounts that is comprised of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

Revenues from sales of natural gas/RNG are recognized in the period in which the gas is billed to members. Members are billed monthly on a levelized basis reflecting anticipated average usage.

New Accounting Pronouncements

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. POWER adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on POWER's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. POWER adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on POWER's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. POWER adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on POWER's financial statements.

GASB Statement No. 99, *Omnibus 2022*, enhances comparability in accounting and financial reporting and to improves consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and

ABAG Publicly Owned Energy Resources

Financial Statements for the year ended June 30, 2023

Notes to Financial Statements

financial reporting for financial guarantees. The requirements of this statement are effective as follows: (a) The requirements in paragraphs 26-32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by the pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. (b) The requirements in paragraphs 11-25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (c) The requirements in paragraphs 4-10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. POWER adopted paragraphs 26-32 of this statement in fiscal year 2022, and paragraphs 11-25 in fiscal year 2023. The adoption of the above requirements has no impact on POWER's financial statements. Management is currently evaluating the effect of the remaining paragraphs of this statement on POWER's financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and errors corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on POWER's financial statements.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences and associated salary-related payments by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on POWER's financial statements.

D. Cash and cash equivalents

POWER has assigned its management of cash and investments to MTC under the contract for services and adopted MTC's investment policy. Accordingly MTC, on behalf of POWER invests POWER's available cash under the prudent investor rule. The prudent investor rule states, in essence, that "in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs." This policy affords POWER a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq.

Investments allowed under MTC's investment policy adopted by POWER include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated "A1" or "P1"
- Corporate notes – Rated "A" or better
- Municipal bonds
- Mutual funds – Rated "AAA"

ABAG Publicly Owned Energy Resources

Financial Statements for the year ended June 30, 2023

Notes to Financial Statements

- Other investment types authorized by state law and not prohibited in MTC's investment policy.

POWER applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended (including by GASB Statement No. 72, *Fair Value Measurement and Application*), which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. POWER reports its money market securities and short-term investments at cost. Net increases or decreases in the fair value of investments are shown in the *Statement of Revenues, Expenses and Changes in Net Position* as interest income.

POWER considers all balances in demand deposit accounts and the Local Agency Investment Fund (LAIF) to be cash, and classifies all other highly liquid short-term investments as cash equivalents. Cash equivalents that meet the following definitions are as follows:

- Readily convertible to known amounts of cash.
- So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

E. Accounts Receivable

The accounts receivable consists of member billings not yet collected and gas imbalance as of June 30, 2023. Any excess or deficit of actual cost compared to member billings is also recorded as a receivable and will be included as true-up adjustments in billings in fiscal year 2024. As of June 30, 2023, there was a true-up adjustment of \$2,067,984 that will be collected in the next fiscal year, which made up majority of the total receivable balance of \$2,396,515.

F. Prepaid Items

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumptions method.

G. Natural Gas Inventory

Any excess of natural gas purchased is recorded as natural gas inventory and is accounted at the Lower of Cost or Market Basis (LCM).

H. Due to Other Government

The due to other government consists of the amount due to MTC for services provided in fiscal year 2023.

I. Deposits from Members

POWER maintains three member agreements that govern participation in the two programs. The natural gas aggregation program contains core (i.e. small usage) and non-core (i.e. large usage) agreements. The RNG program is governed by a single agreement. In all cases, upon execution of the relevant agreement, the joining member is required to provide a working capital deposit to POWER prior to the transference of utility accounts to the POWER program. The member agreements provide POWER the right to increase working capital deposits. This deposit is refundable when the member leaves the program and all liabilities to POWER have been satisfied. The currently approved working capital deposit is calculated as

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2023
Notes to Financial Statements

follows:

Two times the average load (therms) times the current applicable rate (\$/therm)

J. Operating and Nonoperating Revenues and Expenses

Operating revenues are those necessary for principal operations of the entity. Operating expenses are those related to user service activities. Nonoperating revenues and expenses are all other revenues and expenses not related to user service activities.

K. Accounts Payable

Accounts payable consists of amounts due to vendors at the end of the fiscal year.

L. Use of Estimates

POWER's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses, and the disclosure to prepare these financial statements in conformity with generally accepted accounting principles in the United States of America. Actual results could differ from those estimates.

2. NET POSITION

Net position represents residual interest in assets after liabilities are deducted. Net position consists of three sections: Net investment in capital assets, as well as restricted and unrestricted net position, if applicable. The net position remained at zero at June 30, 2023. POWER's financial reporting model reflects all surpluses and deficits as liabilities to or receivables from its members.

3. CASH AND CASH EQUIVALENTS

A. The composition of cash and cash equivalents at June 30, 2023 is as follows:

Cash at banks	\$ 383,685
Government Pools	
Local Agency Investment Fund	<u>4,646</u>
Total Cash and cash equivalents	<u>\$ 388,331</u>

The California State Local Agency Investment Fund (LAIF) is a program created by state statute as an investment alternative for California's local governments and special districts. Deposits in LAIF are presented as cash as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is minimal risk to principal. LAIF is unrated.

B. Deposit Risk Factors

Custodial credit risk can affect the value of deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, POWER may not be able to recover its deposits that are in the possession of an outside party. All checking accounts are insured by the Federal

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2023
Notes to Financial Statements

Depository Insurance Corporation (FDIC) up to the limit of \$250,000.

Under California Government Code Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 110% to 150% of POWER's cash on deposit.

4. PURCHASE COMMITMENTS

During the fiscal year, POWER entered into two agreements with various energy suppliers to facilitate the sale and purchase of natural gas for a delivery period extending to October 31, 2023. The agreements constituted an estimated combined purchase commitment of \$634,712.

5. RISK MANAGEMENT

POWER is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. POWER transfers its risks by purchasing commercial insurance through an insurance broker, who obtains the appropriate insurance coverage needed by POWER from insurance companies. No settlement amounts have exceeded commercial insurance coverage for the past three years. Insurance coverage is subject to market volatility. Therefore, where it makes financial sense, POWER retains part or all of its risk but only after diligent executive review of any risk retention decision.

Adoption of Resolution 23-05 to Admit Current Members of SPURR as New Members of ABAG POWER

Board of Directors Meeting
December 11, 2023



1

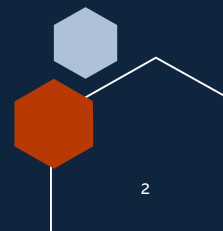
SPURR Joint Powers Authority (JPA)

- Established 1989, per Joint Exercise of Powers Act
- Public K-12s, COEs, and CCDs may join SPURR as members
- Membership is separate than program participation
- No fees or obligations to join
- Over 300 current members
- MIG-1 credit rating on SPURR bonds



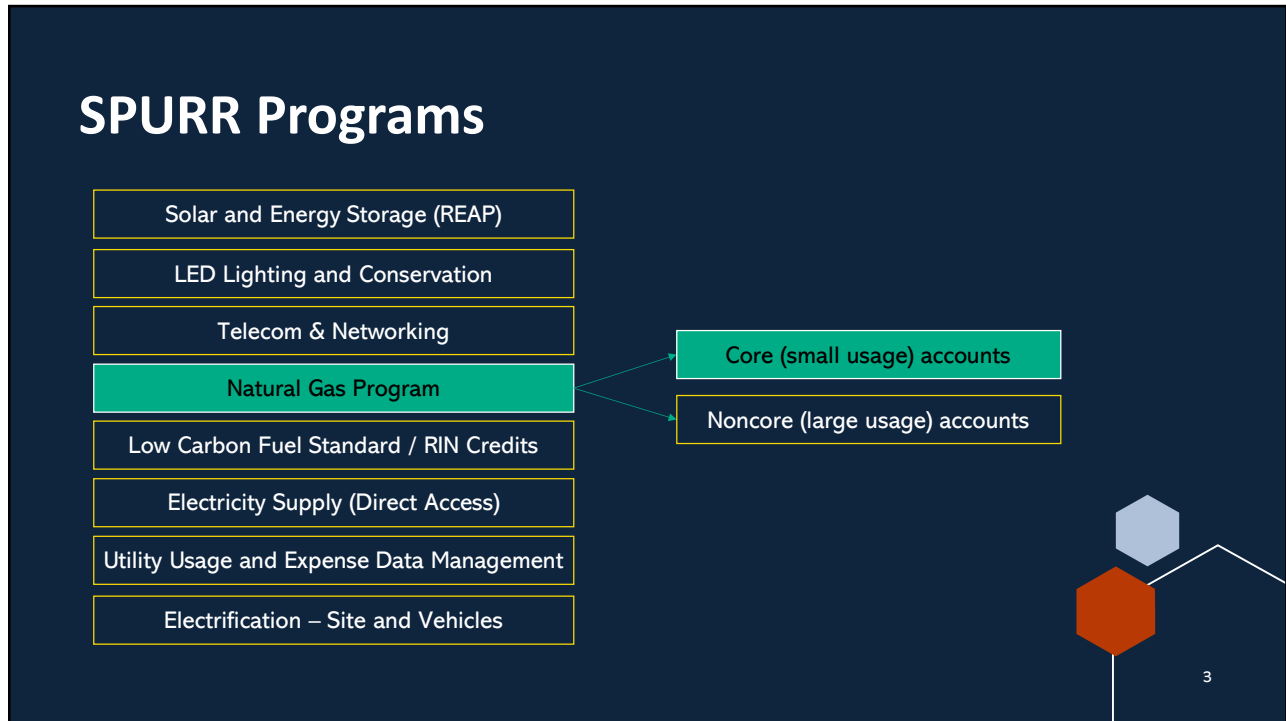
Benefits of Participation

- Simplifies procurement
- Competitively-sourced pricing, terms, and conditions
- Advocate for customer choice
- Transparent process, results, and documentation



2

2



3

SPURR's **Core** Natural Gas Program

- Provides retail energy supply to more than 220 participant agencies at more than 3,500 locations
 - Primarily core accounts
- Screens Pacific Gas and Electric Company (PG&E) billing data for inconsistencies and seeks corrections
- Provides customer service and reports
- Provides market, regulatory, budgeting updates, and advice
- Passes through local transportation charges on a consolidated bill

For various reasons, SPURR will cease to provide natural gas service to core accounts on or about June 30, 2024.

4

4

SPURR's Request for Qualifications and Proposals (RFQP)

-  In the summer of 2023, SPURR conducted the RFQP seeking qualified vendors to provide retail natural gas commodity service for core and noncore accounts
-  SPURR evaluated responses and recommended ABAG POWER for the award of core accounts only, subject to execution of a SPURR Master Contract between SPURR and ABAG POWER
-  Based on the RFQP, SPURR recommends that current SPURR Natural Gas Program Participants with core accounts engage with ABAG POWER regarding their natural gas offering
-  As in all SPURR programs, it is up to the Participant to determine for itself whether a particular program meets its supply needs and procurement rules



5

5

Admittance of New Members

Benefits	Challenges
<ul style="list-style-type: none">• Greater purchasing power/economies of scale due to increased gas usage• Ability to allocate fixed expenses over a larger usage pool, resulting in a lower rate• Larger financial reserves due to the working capital deposit requirement• Greater likelihood of attracting additional members and serving as an attractive option for grant funding opportunities	<ul style="list-style-type: none">• Processing up to 220 additional member contracts• Performing initial account set up• Performing recurring actions related to invoice generation, payment application, usage and cost validation, and account management.



6

6




Recommended Action:
Adopt Resolution 23-05 to admit current members of SPURR as new members of ABAG POWER, provided they meet the requirements set forth in the ABAG POWER JPA and Bylaws.

7

Thank you

Ryan Jacoby
Principal Program Manager
ABAG POWER
rjacoby@bayareametro.gov



8

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Board of Directors

December 11, 2023

Agenda Item 5.b.2.

Adoption of Resolution 23-05 to Admit Current Participants of the School Project for Utility Rate Reduction (SPURR), a Joint Powers Authority, as New Members of ABAG POWER

Subject:

Adoption of Resolution 23-05 to admit current participants of SPURR as New Members of ABAG POWER, provided they meet the requirements set forth in the ABAG POWER Joint Powers Agreement and Bylaws.

Background:

The School Project for Utility Rate Reduction (SPURR) is a California Joint Powers Authority (JPA) formed to seek reduction and control of utility costs on behalf of its members. SPURR has acted as a natural gas energy service provider for approximately 30 years, with a membership open to all California public K-12 school districts, county offices of education, and community college districts. SPURR's membership also includes a small number of universities, tribes, and county governments. In total, the membership consists of over 300 member organizations, for whom it aggregates purchasing power and expertise. SPURR also offers other aggregated purchasing programs, including solar and energy storage, LED lighting and conservation, telecom and networking, electricity supply, and other related services.

While the primary participant types in each JPA differ – schools for SPURR, and cities and counties for ABAG POWER – many of the core services and benefits are similar, and result in aligned interests between ABAG POWER and SPURR. In fact, ABAG POWER and SPURR are the only known non-utility gas suppliers (known as “core transport agents”) in Pacific Gas and Electric Company (PG&E) service territory offering Core Transport Agent (CTA) Consolidated Billing, meaning that the CTA consolidates all applicable charges and presents program participants with a single bill that includes PG&E's charges. For these reasons, both organizations and other CTAs have occasionally joined a “CTA Consortium” that participates in regulatory proceedings and other avenues to advocate for the interests of CTAs.

On June 16, 2023, SPURR released a Request for Qualifications and Proposals (RFQP) seeking qualified vendors to provide retail natural gas commodity service for “core” (small usage) and “noncore” (large usage) accounts. The RFQP stated:

1. SPURR's decision to terminate its core natural gas program on or about June 30, 2024.
2. The RFQP would result in SPURR's recommendation that current SPURR natural gas program participants transition to an awarded vendor, if any.

Agenda Item 5.b.2. – Approval of Resolution 23-05 to Admit Current Participants of SPURR as New Members of ABAG POWER

December 11, 2023

Page 2 of 3

3. An award issued pursuant to the RFQP did not represent an obligation of SPURR's members to purchase services through the RFQP, nor a guarantee of any particular level of service.

SPURR evaluated responses and recommended ABAG POWER for award for the core accounts only, subject to execution of a SPURR Master Contract (SMC) between SPURR and ABAG POWER. The award was approved by the SPURR Board of Directors on October 26, 2023. In anticipation of the Board's approval, ABAG POWER and SPURR have successfully negotiated and executed an SMC which became effective October 1, 2023. Additionally, routine meetings have occurred during the past few months to plan for required actions and coordinate several joint outreach events.

While the award does not represent a guarantee regarding any particular level of service, SPURR has over 220 participants in its core natural gas program, and an annual gas usage of approximately 3.8 million MMBtu – about five times greater than the current annual gas usage of ABAG POWER's portfolio. A list of SPURR's natural gas program participants as of July 31, 2022, is attached to this memorandum. This list is not intended to be exhaustive, nor restrict admittance to ABAG POWER to only the listed organizations.

An increase in ABAG POWER's membership is beneficial for multiple reasons:

- An increase in gas usage allows fixed expenses to be allocated over a larger usage pool, resulting in a lower rate for participants and a greater likelihood of providing cost savings.
- An increase in the number of members results in a:
 - larger financial reserve due to the working capital deposit requirement, which results in a greater ability to weather extreme volatility.
 - broader range of participants on the ABAG POWER Board of Directors and Executive Committee which bring expertise and perspective to the programs.
 - greater likelihood of attracting additional members and serving as an attractive option for grant funding opportunities.

The ABAG POWER JPA, Bylaws, and member agreements each establish eligibility and enrollment requirements, which provide that a new member must be a member or cooperating member of ABAG at the time they join ABAG POWER. Members of SPURR – public agencies and non-profits – are eligible to join ABAG POWER and may join by adopting a resolution approving entry into ABAG POWER, designating a voting director, authorizing execution of the JPA, and acknowledging the Bylaws.

Issues:

A significant increase in ABAG POWER's membership as a result of the SPURR RFQP poses several potential challenges dependent upon the number of entities choosing to enroll. These challenges may include:

- Processing up to 220 additional member contracts.

Agenda Item 5.b.2. – Approval of Resolution 23-05 to Admit Current Participants of SPURR as New Members of ABAG POWER

December 11, 2023

Page 3 of 3

- Performing initial account set up including entering site (addresses, account numbers, facility details, etc.) and billing (bill to addresses, subaccount grouping, etc.) information.
- Performing recurring actions related to invoice generation, payment application, usage and cost validation, and account management.

To identify areas of concern, staff have met with representatives of each ABAG/MTC section expected to be impacted by the above challenges. In general, the majority of identified challenges will result in a need for increased support provided by program staff in coordination with the contracts, legal, and finance teams. Financial support for these positions may be included in a future budget proposal, with revenue from the program to cover additional staff costs. Although this may result in an increase in staff cost, the net result of increasing the program's membership is expected to result in a lower rate charged for administrative services.


Recommended Action:

The ABAG POWER Board of Directors is requested to adopt Resolution 23-05 to admit current participants of the School Project for Utility Rate Reduction (SPURR) as new members of ABAG POWER, pursuant to the SPURR Request for Qualifications and Proposals (RFQP) and SPURR Master Contract, and provided they meet the requirements set forth in the ABAG POWER Joint Powers Agreement and Bylaws.

Attachments:

- Overview of SPURR RFQP Presentation
- Resolution 23-05
- SPURR Natural Gas Program Participants as of July 31, 2022

Reviewed:

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Brad Paul

**ASSOCIATION OF BAY AREA GOVERNMENTS
PUBLICLY OWNED ENERGY RESOURCES**

BOARD OF DIRECTORS

RESOLUTION NO. 23-05

RESOLUTION ADMITTING CURRENT PARTICIPANTS OF THE SCHOOL PROJECT FOR UTILITY RATE REDUCTION (SPURR) AS NEW MEMBERS OF ABAG PUBLICLY OWNED ENERGY RESOURCES (ABAG POWER), PROVIDED THEY MEET THE REQUIREMENTS SET FORTH IN THE ABAG POWER JOINT POWERS AGREEMENT (JPA) AND BYLAWS

WHEREAS, in 1998, the Association of Bay Area Governments (ABAG) and local governments created ABAG POWER for the purpose of acquiring for use by its members, energy, including, but not limited to, natural gas and electricity, and of telecommunications services and such other services and goods as may be necessary or convenient to optimize costs savings and to manage the use or supply of energy or telecommunications services; and,

WHEREAS, ABAG is the appointed administrative member of ABAG POWER, and pursuant to a Contract for Services dated May 30, 2017, between the Metropolitan Transportation Commission (MTC) and ABAG (Contract for Services), MTC provides staffing services to ABAG and its Local Government Programs, which includes ABAG POWER, and in providing such staffing services applies MTC rules; and

WHEREAS, the Bylaws of ABAG POWER provide that the Board has the power, upon majority vote, to establish Programs within the purpose and power of ABAG POWER and to adopt general policy guidelines for their implementation; and

WHEREAS, the Board in 1998 established both a Natural Gas Aggregation Program and an Electric Aggregation Program, and in 2023 established a Renewable Natural Gas Program; and

WHEREAS, ABAG POWER, through its “core” (small usage accounts) and “noncore” (large usage accounts) natural gas aggregation offerings, currently aggregates the natural gas needs of 37 public agencies voluntarily participating in the Natural Gas Aggregation Program; and

WHEREAS, the SPURR is a California Joint Powers Authority formed to seek reduction and control of utility costs on behalf of its members; and

WHEREAS, SPURR membership is open to all California public K-12 school districts, county offices of education, and community college districts (collectively, public agencies); and

WHEREAS, SPURR has acted as a natural gas energy service provider for approximately thirty years and through its natural gas program provides services to approximately 220 “core” (small usage account) participants; and

WHEREAS, on June 16, 2023, SPURR released a Request for Qualifications and Proposals inviting qualified retail natural gas energy service providers to submit responsive proposals to serve either core or noncore accounts, or both types of accounts, and announcing 1) its decision to terminate its core natural gas program on or about June 30, 2024, and 2) that SPURR would recommend that current SPURR natural gas program participants transition to an awarded energy service provider, if any, under the terms and conditions obtained through the RFQP; and

WHEREAS, SPURR's RFQP does not represent an obligation by SPURR, or by any other entity, to purchase services through the RFQP, in that each current SPURR participant may decide for itself whether to enter into an agreement for services with an awarded provider; and

WHEREAS, on July 26, 2023, ABAG POWER submitted a timely proposal in response to SPURR's RFQP; and

WHEREAS, SPURR evaluated responses to the RFQP and recommended ABAG POWER for the award for core accounts, subject to execution of a SPURR Master Contract between SPURR and ABAG POWER; and

WHEREAS, Pursuant to the RFQP, SPURR intends to recommend current participants engage with ABAG POWER regarding its natural gas service offerings; and

WHEREAS, the public agencies and non-profits that are members of SPURR are eligible to join ABAG POWER, provided they meet the enrollment requirements established by the JPA and Bylaws which require adoption of a resolution approving entry into ABAG POWER, designating a voting director, authorizing execution of the JPA, and acknowledging the Bylaws.

WHEREAS, the admittance of a new member to the ABAG POWER JPA requires a two-thirds vote of a quorum of the Board of Directors; and

WHEREAS, the admittance of new members is in the best interest of current members because an increase in membership is likely to result in lower rates through increased purchasing power and the allocation of fixed expenses amongst a larger usage pool, larger financial reserves, a broader range of participants on the ABAG POWER Board of Directors and Executive Committee, and a greater likelihood of attracting additional members and serving as an attractive option for grant funding opportunities.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of ABAG POWER, hereby finds the foregoing recitals are true and correct and approves the admission current participants of the School Project for Utility Rate Reduction, including but not limited to the list of participants in the accompanying staff report dated December 11, 2023, provided they meet the requirements of ABAG POWER's JPA and Bylaws at the time of application.

; and

BE IT FURTHER RESOLVED, the Executive Director of MTC or designee (ED), acting pursuant to the Contract for Services, is authorized to negotiate and execute agreements with current members of SPURR and other Eligible Entities, as defined by the SPURR Master Contract, to effectuate the purpose of joining as a new member of the ABAG POWER JPA and participating in any of its programs.

This foregoing was adopted by the Board of Directors at its meeting on this 11th day of December, 2023.

By: _____
Doug Williams, Chair

Certification of Board of Directors Approval

I, the undersigned, the appointed and qualified Secretary of the ABAG Publicly Owned Energy Resources (ABAG POWER), do hereby certify that the foregoing resolution was adopted by the Board of Directors of ABAG POWER at a duly called meeting held on the 11th day of December, 2023.

Jane Elias, Secretary
ABAG POWER

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Board of Directors

December 11, 2023

Agenda Item 5.c.

Election of Chair and Vice Chair and Approval of Executive Committee

Subject:

Election of Chair and Vice Chair and Approval of Executive Committee for Calendar Year 2024

Background:

The ABAG POWER Bylaws provide that the Executive Committee shall be comprised of the Chair and Vice Chair, who are elected by the members, and three to nine members entitled to cast a vote (Article 7.1). During calendar year 2023, three vacancies were caused by retirements and resignations. Currently, three members serve on the Executive Committee. The Vice Chair position is currently vacant.

It is proposed that the Board re-elect Doug Williams as Chair, elect Becky Hopkins as Vice Chair, and approve the Executive Committee as follows:

Chair: Doug Williams, City of Santa Rosa

Vice Chair: Becky Hopkins, City of Pleasanton

Committee members:

- Brendan Havenar-Daughton, County of Contra Costa
- Elaine Marshall, City of Milpitas

Issues:

With only four members, there will still be at least one seat vacant on the Executive Committee per Article 7.1. Staff will continue to work with the Chair to recruit members to serve on the Executive Committee.

Recommended Action:

The ABAG POWER Board of Directors is requested to elect the proposed Chair and Vice Chair and approve the Executive Committee for Calendar Year 2024.

Attachments:

None.

Agenda Item 5.c. – Election of Chair and Vice Chair and Approval of Executive Committee

December 11, 2023

Page 2 of 2

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Adoption of Resolution 23-06 to Increase the Working Capital Deposit Requirement

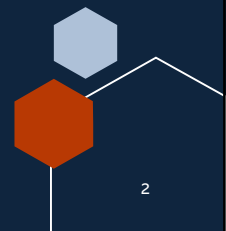
Board of Directors Meeting
December 11, 2023



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Today's Presentation

- General gas purchasing strategy
- Current market conditions and challenges
- Working capital deposits
- Recommended changes



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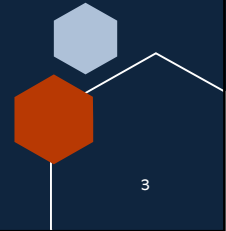
General Gas Purchasing Strategy

Goals:

- Cost Savings
- Price Stability

Strategy:

Time Period	Longer-Term Fixed-Price Purchases	Shorter-Term Index-Based Purchases	Purchase Locations
Pre-2014	50%	50%	California, Oregon
2014-2018	20-40%	60-80%	California, Oregon
2018-2020	0%	100%	California, Oregon, Canada
2020+	0-25%	75-100%	California, Oregon, Canada



3

Current Market Conditions and Challenges


- Due to extreme market volatility throughout 2020-2023 – the highest prices since December 2000 – and at times an inability to obtain index-based purchases, ABAG POWER has re-introduced a greater percentage of fixed-price purchases
- Sustained high prices and extreme volatility have presented cash flow challenges that are difficult to remedy without mid-year revisions to levelized charges
 - Revising levelized charges creates confusion, takes time to implement, and disrupts predictable budgeting
- Working capital deposits provide a financial reserve for the program to weather volatile markets



4

Working Capital Deposits

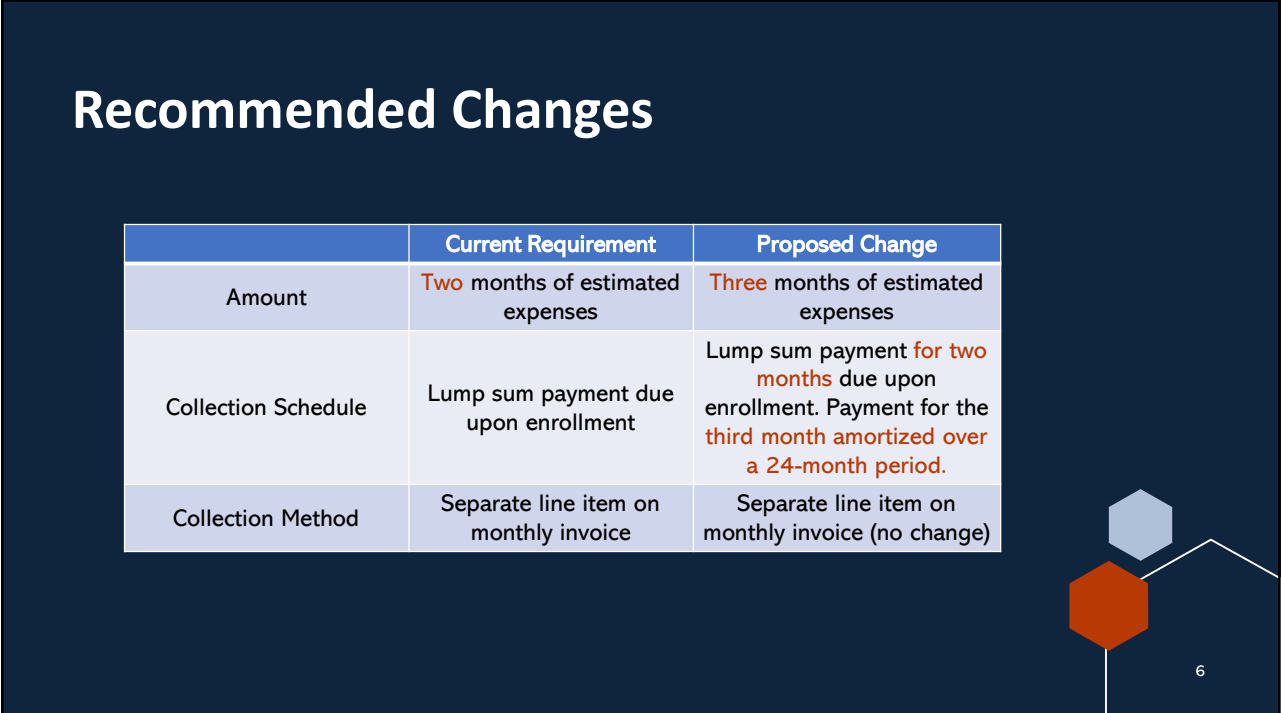
- ✓ Represent two months of estimated expenses
 Calculated as:
 $Average\ Usage\ (therms) * Current\ Rate\ (\$/therm) * 2$
- ✓ Due upon joining the program
- ✓ \$2 million in total
- ✓ Amounts are assessed annually and can be adjusted, as necessary
 - The last adjustment was 15 years ago



5

Recommended Changes

	Current Requirement	Proposed Change
Amount	Two months of estimated expenses	Three months of estimated expenses
Collection Schedule	Lump sum payment due upon enrollment	Lump sum payment for two months due upon enrollment. Payment for the third month amortized over a 24-month period.
Collection Method	Separate line item on monthly invoice	Separate line item on monthly invoice (no change)



6




Recommended Action:
Adopt Resolution 23-06 to

- 1) Increase the working capital deposit requirement from two months to three months
- 2) Establish a twenty-four-month collection period for the third month of estimated expenses

7

Thank you

Ryan Jacoby
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ABAG POWER
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8

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Board of Directors

December 11, 2023

Agenda Item 5.d.2.

Natural Gas Program Working Capital Deposits

Subject:

Adoption of Resolution 23-06 to increase the working capital deposit for the natural gas program from 2.0 to 3.0 months of estimated expenses, and to collect the additional month of estimated expenses over a 24-month period beginning either July 1, 2024, or upon the effective date of new member agreements, whichever is later.

Background:

In mid-2018, in an effort to maximize cost savings, a significant programmatic change was recommended by staff and approved by the Executive Committee, resulting in a general gas purchasing strategy that emphasized short-term, index-based purchases, with fixed-price purchases made only by exception and with Committee approval.

This strategy aimed to capitalize on low prices relative to historical norms that generally persisted from about 2013 to 2019. Since then, natural gas market prices have experienced extreme volatility. The causes are varied, and generally accepted to be initially caused by supply and demand mismatches due to Covid-19, but since then, a number of ongoing factors have contributed to heightened volatility – and therefore risk: geopolitical tensions, pipeline maintenance, extreme weather patterns, changes to storage assets, and rising global demand for liquefied natural gas (LNG). This confluence of factors during fiscal year 2022-23 resulted in the highest prices seen since December 2000.

During the last two fiscal years, as a response to market conditions, and at times, an inability to obtain index-based pricing, staff have thrice requested and received temporary authority to enter fixed-priced purchases. In a forward-looking basis, futures prices indicate continued volatility, with average prices in the \$5 to \$8 range per million British Thermal Units (MMBtu) for fiscal year 2023-24, compared to the historical average of \$3 to \$5 per MMBtu from 2010 to 2019. ABAG POWER's weighted average cost of gas (WACOG) during fiscal year 2022-23 was approximately \$11.60 per MMBtu. PG&E's procurement rate ranged from \$1.52 to \$13.47 per MMBtu, with an unweighted average of \$7.48 per MMBtu.

In addition to the price-based risk, extreme fluctuations in short-term markets have presented a cash flow challenge caused by elevated pricing during a sustained period (i.e., more than three months). This issue is exacerbated by ABAG POWER's levelized billing structure, which invoices participants only for the estimated average monthly expense. This structure temporarily insulates members from market fluctuations, which for many is a significant benefit of the program. The program reserves the right to modify levelized charges mid-year; however, this

Agenda Item 5.d.2. – Working Capital Deposits Policy

December 11, 2023

Page 2 of 3

modification can cause confusion amongst members, disrupt otherwise predictable expense budgeting, and can be difficult to implement in an expedited manner. These aspects work against the value proposition of insulating members from market fluctuations.

Perhaps most importantly, recent extreme volatility has exposed ABAG POWER to the risk of not having sufficient capital to cover recurring expenses. In fact, expenses were higher than revenue during six of the twelve months throughout fiscal year 2022-23, contributing to a deficit of about \$2 million during the fiscal year.

Although market prices and volatility have increased substantially over the last decade, total working capital deposits are unchanged since fiscal year 2008-09, totaling approximately \$2 million. A listing of current working capital deposits by member is attached; the current policy is to maintain 2.0 months of estimated expenses based on the adopted operating budget. Current deposits amount to 1.9 months of estimated expenses, a deficit of about \$70 thousand compared to the adopted policy. Due to the cash flow deficit from fiscal year 2022-23, it is unlikely that the program can fully replenish the working capital balance prior to the upcoming winter, when volatility is typically most extreme.

While natural gas prices have declined and are expected to remain lower than last fiscal year, the sustained volatility in recent years has been extreme, and as a buyer in the short-term markets, the program is exposed to this risk. To address the inherent risk of purchasing primarily based on short-term, index-based transactions, and to react effectively to changes in market trends staff have analyzed and are recommending multiple strategies to mitigate price uncertainty, including increasing working capital deposits, leveraging natural gas storage assets to a greater degree, and procuring fixed-price supply contracts to hedge against volatility.

Given this context, the Executive Committee met on June 15 and August 17, 2023, to discuss, among other things, modifying working capital deposits in a manner that minimized the upfront impact to member jurisdictions, and provided sufficient advance notice to align with the majority of members' fiscal year budgeting process. These discussions have resulted in a recommendation for the Board's consideration to:

- Increase the overall working capital deposits from two months to three months of estimated expenses for the core and non-core programs.
- Maintain the existing requirement of two months of estimated expenses for the renewable natural gas (RNG) program.
- Collect the additional one month deposit over a two-year period beginning either July 1, 2024 (for existing members) or upon the effective date of new member agreements, whichever is later.
 - Working capital deposits will be collected through a separate line item in each monthly member invoice. The rate used to determine the required deposit will be based on the fiscal year 2024-25 operating budget, or the operating budget effective at the time a new member joins.

Staff recommends modifying the working capital deposit requirement for the core and non-core programs but not the RNG program based on the difference in purchase structures likely to occur in each program. Given the current market for RNG supply, purchases are more likely to

Agenda Item 5.d.2. – Working Capital Deposits Policy

December 11, 2023

Page 3 of 3

be structured as fixed-price transactions, particularly for Senate Bill 1383 compliance, therefore there is no risk of volatility. Furthermore, a working capital deposit is only required in certain situations and is intended to satisfy expedited payment terms likely to be required by suppliers. This structure fulfills a different need than the core and non-core programs, where the programs are subjected to a greater degree of volatility. As RNG supply becomes more widely available on 'spot' (short-term, widely available, generally same day) markets, staff will assess whether to bring a similar recommendation to the Board.

Issues:

Increasing the amount of working capital required to be provided a potential barrier to participation for new members. Establishing a two-year collection period for the additional month substantially reduces the barrier caused by an upfront lump sum payment.

Recommended Action:

The ABAG POWER Board of Directors is requested to authorize an increase to the natural gas program's core and non-core working capital deposit requirement from two months to three months of estimated expenses, and to collect the additional month of estimated expenses over a 24-month period beginning either July 1, 2024, or upon the effective date of new member agreements, whichever is later.

Attachments:

- Current Working Capital Deposits by Member (Informational)
- Resolution 23-06 Modification of Working Capital Deposits Requirement to Increase Deposits from Two Months to Three Months of Estimated Expenses

Reviewed:

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Brad Paul

ABAG POWER Natural Gas Program Working Deposits

Member	Current Master Account	Current Member Balance	FY 23-24 Estimated Expense for 1 Month	FY 23-24 Estimated Expense for 2 Months	FY 23-24 Estimated Expense for 3 Months	Current Working Capital Deposit Surplus/Deficit Relative to Estimated Expenses for 3 Months	Monthly Surplus/Deficit Amortization Period over 24 Months
Alameda, City	Various	\$ 44,931	\$ 7,860.00	\$ 15,720.00	\$ 23,580.00	\$ (21,351.19)	\$ (889.63)
Alameda, City Housing Authority	ALAACPC003	\$ 5,892	\$ 4,860.00	\$ 9,720.00	\$ 14,580.00	\$ 8,688.00	\$ 362.00
Albany, City	ALBACPC001	\$ 4,905	\$ 1,800.00	\$ 3,600.00	\$ 5,400.00	\$ 495.33	\$ 20.64
Atherton, Town	ATHACPT001	\$ 1,409	\$ 550.00	\$ 1,100.00	\$ 1,650.00	\$ 240.90	\$ 10.04
Benicia, City	BENACPC001	\$ 17,508	\$ 12,460.00	\$ 24,920.00	\$ 37,380.00	\$ 19,871.87	\$ 827.99
Contra Costa County GSD	CONACPN001	\$ 303,882	\$ 226,280.00	\$ 452,560.00	\$ 678,840.00	\$ 374,957.79	\$ 15,623.24
Cupertino, City	CUPACPC001	\$ 11,915	\$ 6,460.00	\$ 12,920.00	\$ 19,380.00	\$ 7,464.61	\$ 311.03
Fremont, City	FREACPC001	\$ 42,167	\$ 35,760.00	\$ 71,520.00	\$ 107,280.00	\$ 65,113.46	\$ 2,713.06
Golden Gate Bridge	GOLACP001	\$ 16,544	\$ 11,540.00	\$ 23,080.00	\$ 34,620.00	\$ 18,076.32	\$ 753.18
Gonzales, City	GONACPC001	\$ 3,167	\$ 2,110.00	\$ 4,220.00	\$ 6,330.00	\$ 3,163.10	\$ 131.80
Half Moon Bay, City	HALACPC001	\$ 803	\$ 460.00	\$ 920.00	\$ 1,380.00	\$ 576.69	\$ 24.03
Hercules, City	HERACPC001	\$ 8,140	\$ 17,310.00	\$ 34,620.00	\$ 51,930.00	\$ 43,790.38	\$ 1,824.60
Los Altos, City	LOSACPC001	\$ 7,216	\$ 2,780.00	\$ 5,560.00	\$ 8,340.00	\$ 1,124.41	\$ 46.85
Mill Valley, City	MILACPC001	\$ 18,204	\$ 17,750.00	\$ 35,500.00	\$ 53,250.00	\$ 35,045.67	\$ 1,460.24
Millbrae, City	MILACPC003	\$ 8,089	\$ 2,370.00	\$ 4,740.00	\$ 7,110.00	\$ (978.90)	\$ (40.79)
Millbrae, City WWTP	MILACPC004	\$ 13,668	\$ 80.00	\$ 160.00	\$ 240.00	\$ (13,427.84)	\$ (559.49)
Milpitas, City	MILACPC002	\$ 38,041	\$ 18,860.00	\$ 37,720.00	\$ 56,580.00	\$ 18,539.42	\$ 772.48
Monte-Sereno, City	MONACPC001	\$ 242	\$ 180.00	\$ 360.00	\$ 540.00	\$ 298.39	\$ 12.43
Moraga, Town	MORACPT001	\$ 1,706	\$ 1,040.00	\$ 2,080.00	\$ 3,120.00	\$ 1,413.71	\$ 58.90
Napa County #1	NAPACPN005	\$ 30,071	\$ 19,470.00	\$ 38,940.00	\$ 58,410.00	\$ 28,338.54	\$ 1,180.77
Oakland, City	OAKACPC001	\$ 166,643	\$ 126,100.00	\$ 252,200.00	\$ 378,300.00	\$ 211,657.37	\$ 8,819.06
East Bay Zoological	OAKACPC002	\$ 3,349	\$ 2,280.00	\$ 4,560.00	\$ 6,840.00	\$ 3,490.95	\$ 145.46
Orinda, City	ORACPC001	\$ 1,502	\$ 4,630.00	\$ 9,260.00	\$ 13,890.00	\$ 12,388.45	\$ 516.19
Pacifica, City	PACACPC001	\$ 6,377	\$ 4,330.00	\$ 8,660.00	\$ 12,990.00	\$ 6,613.21	\$ 275.55
Petaluma, City	PETACPC001	\$ 5,273	\$ 3,730.00	\$ 7,460.00	\$ 11,190.00	\$ 5,916.91	\$ 246.54
Pleasanton, City	PLEACPC001	\$ 44,783	\$ 23,500.00	\$ 47,000.00	\$ 70,500.00	\$ 25,716.59	\$ 1,071.52
Richmond, City	RICACPC001	\$ 58,805	\$ 59,080.00	\$ 118,160.00	\$ 177,240.00	\$ 118,434.73	\$ 4,934.78
Salinas, City	SALACPC001	\$ 47,860	\$ 22,610.00	\$ 45,220.00	\$ 67,830.00	\$ 19,970.37	\$ 832.10
San Carlos, City	SANACPC003	\$ 13,305	\$ 4,790.00	\$ 9,580.00	\$ 14,370.00	\$ 1,065.07	\$ 44.38
San Mateo County	Various	\$ 414,501	\$ 119,110.00	\$ 238,220.00	\$ 357,330.00	\$ (57,170.75)	\$ (2,382.11)
San Rafael, City	SANACPC001	\$ 15,688	\$ 11,970.00	\$ 23,940.00	\$ 35,910.00	\$ 20,222.07	\$ 842.59
Santa Clara County	SANACPN001	\$ 223,098	\$ 132,720.00	\$ 265,440.00	\$ 398,160.00	\$ 175,062.22	\$ 7,294.26
Santa Rosa, City	SANACPC005	\$ 61,660	\$ 51,750.00	\$ 103,500.00	\$ 155,250.00	\$ 93,589.55	\$ 3,899.56
Santa Rosa, Non-Core	SANACPC012	\$ 169,872	\$ 19,870.00	\$ 39,740.00	\$ 59,610.00	\$ (110,262.19)	\$ (4,594.26)
Saratoga, City	SARACPC001	\$ 2,692	\$ 1,570.00	\$ 3,140.00	\$ 4,710.00	\$ 2,018.43	\$ 84.10
Union City	UNIACPC001	\$ 4,436	\$ 1,690.00	\$ 3,380.00	\$ 5,070.00	\$ 633.55	\$ 26.40
Vallejo, City	VALACPC001	\$ 105,830	\$ 8,590.00	\$ 17,180.00	\$ 25,770.00	\$ (80,059.91)	\$ (3,335.83)
Vallejo Sani.& Flood Control Dist	VALACPD001	\$ 4,425	\$ 25,470.00	\$ 50,940.00	\$ 76,410.00	\$ 71,985.38	\$ 2,999.39
Watsonville, City	WATACPC001	\$ 16,738	\$ 12,030.00	\$ 24,060.00	\$ 36,090.00	\$ 19,352.18	\$ 806.34
Watsonville, City, Non-Core	WATACPC002	\$ 42,398	\$ 3,100.00	\$ 6,200.00	\$ 9,300.00	\$ (33,098.48)	\$ (1,379.10)
Winters, City	WINACPC001	\$ 726	\$ 570.00	\$ 1,140.00	\$ 1,710.00	\$ 984.19	\$ 41.01
Subtotal:		\$ 1,988,459	\$ 1,029,470	\$ 2,058,940	\$ 3,088,410	\$ 1,099,951	\$ 45,831
Difference from Current Balance:		\$ -	\$ 958,989	\$ (70,481)	\$ (1,099,951)		

**ASSOCIATION OF BAY AREA GOVERNMENTS
PUBLICLY OWNED ENERGY RESOURCES**

BOARD OF DIRECTORS

RESOLUTION NO. 23-06

RESOLUTION INCREASING THE WORKING CAPITAL DEPOSIT FOR THE NATURAL GAS PROGRAM FROM TWO MONTHS TO THREE MONTHS OF ESTIMATED EXPENSES, AND ESTABLISHING A TWO-YEAR COLLECTION PERIOD FOR THE ADDITIONAL MONTH OF ESTIMATED EXPENSES

WHEREAS, in 1998, the Association of Bay Area Governments (ABAG) and local governments created ABAG POWER for the purpose of acquiring for use by its members, energy, including, but not limited to, natural gas and electricity, and of telecommunications services and such other services and goods as may be necessary or convenient to optimize costs savings and to manage the use or supply of energy or telecommunications services; and,

WHEREAS, the Bylaws of ABAG POWER provide that the Board has the power, upon majority vote, to establish Programs within the purpose and power of ABAG POWER and to adopt general policy guidelines for their implementation; and

WHEREAS, in 1998, the Board established both a Natural Gas Aggregation Program and an Electric Aggregation Program, and in 2023 established a Renewable Natural Gas Program; and

WHEREAS, the Natural Gas Aggregation Program includes subprograms for “core” (small usage accounts) and “noncore” (large usage accounts) participants, each governed by membership agreements titled the Core Natural Gas Sales and Aggregation Agreement and Noncore Natural Gas Sales and Aggregation Agreement, respectively (collectively, Program Agreements); and

WHEREAS, upon approval of the Program Agreements, public agencies are required to provide a working capital deposit prior to transferring any accounts to the ABAG POWER program. This deposit is refundable when the public agency leaves the program and all liabilities to ABAG POWER have been satisfied; and

WHEREAS, the currently approved working capital deposit is calculated as two months of estimated expenses, calculated as two times the average load (expressed in therms) multiplied by the current applicable rate (expressed in dollars per therm); and

WHEREAS, natural gas commodity markets have experienced extraordinarily levels of market volatility in recent years, resulting in consistently higher overall commodity prices, heightened and sustained risk exposure to high prices, and cash management challenges caused by a timing mismatch in ABAG POWER’s levelized billing process and working capital deposits that have been unchanged for nearly fifteen (15) years; and

WHEREAS, ABAG POWER has taken steps to reduce risk exposure through hedging against volatility, including leveraging natural gas storage assets, procuring fixed-price supply contracts, and assessing working capital deposits; and

WHEREAS, price stability is a goal of ABAG POWER, and the ability to effectively implement the levelized billing process is in part dependent upon sufficient working capital deposits to weather price volatility; and

WHEREAS, although ABAG POWER reserves the right to modify levelized charges mid-year, staff recognizes that doing so can cause confusion amongst members, disrupt otherwise predictable expense budgeting, and can be difficult to implement in an expedited manner; and

WHEREAS, increasing the amount of working capital deposit reduces the risk and potential severity of cash management challenges, and reduces the likelihood of requiring a mid-year adjustment of levelized charges, in turn benefitting members through creating a stronger financial reserve and a greater probability of achieving price stability.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of ABAG POWER hereby finds the foregoing recitals true and correct and modifies the working capital deposit for the natural gas program's core and noncore participants from two months to three months of estimated expenses, effective December 11, 2023.

; and

BE IT FURTHER RESOLVED, that the Board of Directors of ABAG POWER hereby establishes a two-year collection period, beginning July 1, 2024, or upon the effective date of new member agreements, whichever is later, over which time each member – with the exception of those members pending withdrawal as of the date of this Resolution – will receive a monthly credit or charge equal to 1/24th of the member's total adjustment.

This foregoing was adopted by the Board of Directors at its meeting on this 11th day of December, 2023.

By: _____
Doug Williams, Chair

Certification of Board of Directors Approval

I, the undersigned, the appointed and qualified Secretary of the ABAG Publicly OWned Energy Resources (ABAG POWER), do hereby certify that the foregoing resolution was adopted by the Board of Directors of ABAG POWER at a duly called meeting held on the 11th day of December, 2023.

Jane Elias, Secretary
ABAG POWER